



investigate the institution of proceedings to pursue the Company's \$50,000 bond for failure to provide adequate service. Staff was also ordered to investigate the failure of CWS to file with the Commission, as required by Commission regulations, its contract for interconnection of supplemental water with West Columbia. Staff was directed to research any potential fines which may be imposed on the Company for failure to file the contract.

On July 30, 1996, at the Commission's weekly meeting, Staff presented four options which the Company had proposed as potential solutions to the water shortage. In the previous week, Staff met with the Company's representatives, South Carolina Department of Health and Environmental Control ("DHEC") water quality specialists, and various individuals who represented municipalities in the Columbia area. CWS and a particular municipality had negotiated in an attempt to enter a contract for an interconnection of CWS's system to the municipality's system, but no contract had been reached by the time of the Commission meeting. Staff therefore presented current information regarding the Company's water supply for its "I-20" service area as well as the following options as suggested by the Company in a letter dated July 29, 1996:

(1) Replacement of the filter media in the existing I-20 filters of Springlake wells # 2, 4, and 5 (these wells are

currently out of service). The media could be installed in approximately one week conditioned upon DHEC's approval at a cost of approximately \$75,000.

(2) Replacement of the filters for the I-20 Springlake wells #2, 4, and 5. Such filter replacement would require six to eight weeks for delivery of certain materials and an additional 30 day installation period at an approximate total cost of \$151,368. DHEC approval of such replacement is required.

(3) Drilling and installation of new wells in the I-20 area at an approximate cost of \$400,000. With DHEC approval, this process would require 9 to 12 months for completion.

(4) Continue to pursue an agreement for CWS to purchase water from a bulk provider (another utility or municipality).

Staff further presented its findings regarding pursuance of the Company's bond for failure to provide adequate and sufficient service. South Carolina Code Annotated Section 58-5-720 provides that, "[t]he Commission shall have the right, upon notice and hearing, to declare all or any part of the bond . . . forfeited upon a determination by the Commission that the utility shall have willfully failed to provide such service without just cause or excuse and that such failure has continued for an unreasonable length of time. . . ."

Research was also presented regarding the Commission's imposition of fines on the Company for failure to file a contract pursuant to Commission regulations. Commission Regulation 103-743 states the following:

No utility shall execute or enter into any agreement or contract with any person, firm, partnership or corporation or any agency . . . which would impact, pertain to, or effect said utility's fitness, willingness, or ability to provide water service . . . . without first submitting said contract in form to the Commission and obtaining approval of the Commission.

However, the regulation does not provide for a remedy in the event that a company fails to file such a contract. S.C. Code Ann. Section 58-5-710 provides the Commission with the authority to fine a water or sewer utility after requiring the utility to appear to show cause why it should not be made to take steps to provide adequate and proper service. If the Commission were to find that such service is not being provided, a penalty may be imposed.

Having considered the above options and Staff's research, we now present the following conclusions:

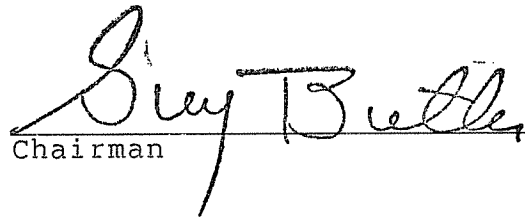
(1) Carolina Water Service, Inc., is to take immediate steps to provide adequate service through the purchase of water from another utility or municipality. As we stated in Order No. 96-487, this Commission desires to presently alleviate shortages for the CWS I-20 service area and to prevent future shortages. An interconnection will provide a dependable water supply in an expeditious manner.

(2) Staff is instructed to begin proceedings to pursue potential forfeiture of the Company's bond. We therefore instruct Staff to initiate a proceeding, by giving notice, to determine

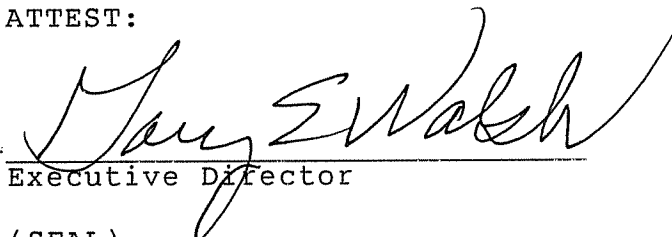
whether the Company willfully failed to provide adequate and sufficient service without just cause and excuse and whether such failure has continued for an unreasonable length of time. We note that, if we make such a finding after hearing, we have the right to declare all or any part of CWS's \$50,000 bond forfeited.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION.

  
Chairman

ATTEST:

  
Deputy Executive Director  
(SEAL)